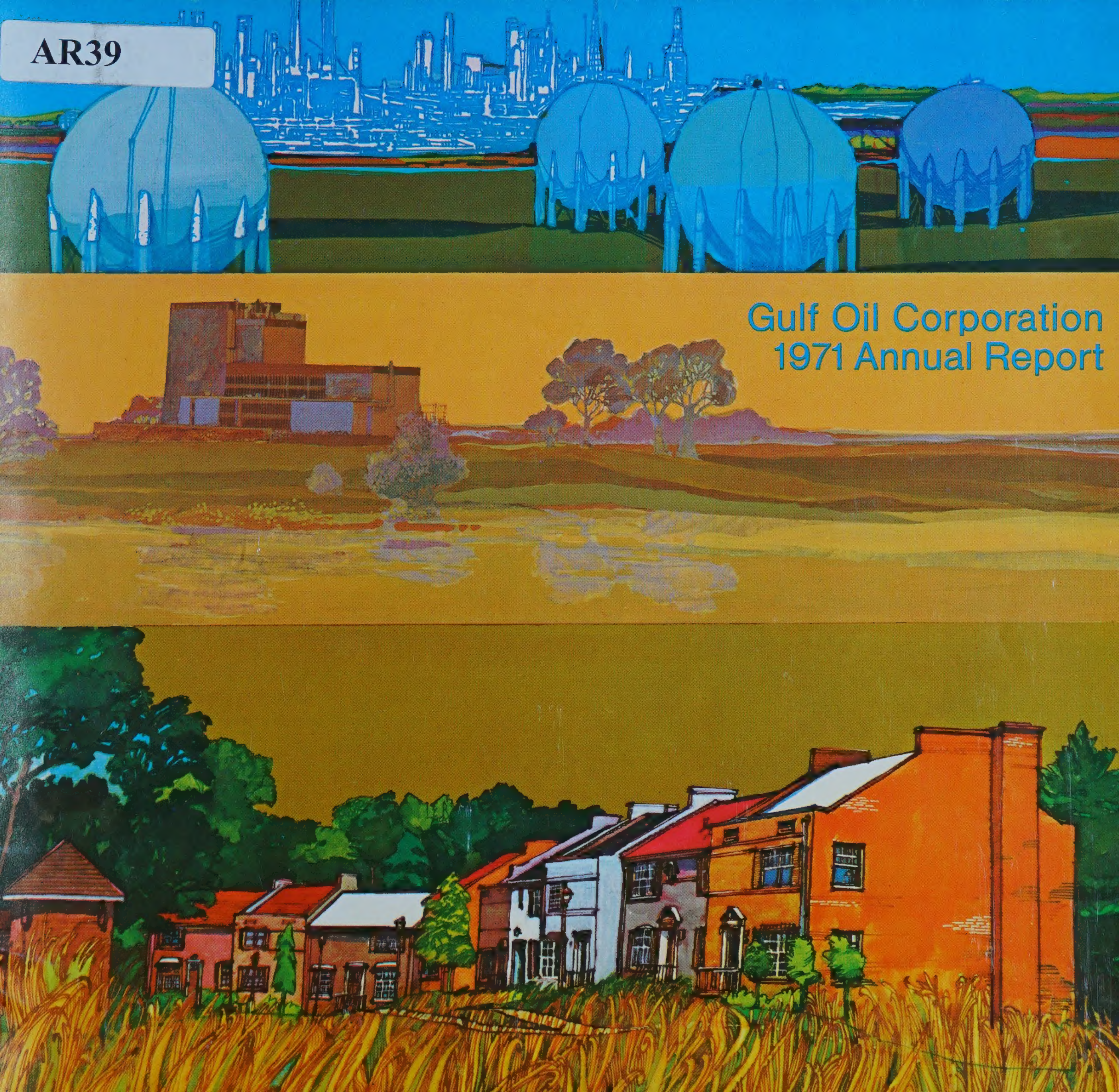


Gulf Oil Corporation
1971 Annual Report

Gulf Annual Report

Contents

Financial Review

Cover illustration: (top) *Gulf's new Alliance Refinery located near New Orleans;* (center) *the Fort St. Vrain Nuclear Generating Station near Denver; and* (bottom) *a section of the "new town" at Reston, Va., as interpreted by artist George Gaadt of Pitt Studios.*

Registrars

Morgan Guaranty Trust Company of New York, New York

Pittsburgh National Bank, Pittsburgh

The First National Bank of Chicago, Chicago

Montreal Trust Company, Toronto, Canada

Transfer Agents

Bankers Trust Company, New York

Mellon National Bank and Trust Company, Pittsburgh

Continental Illinois National Bank and Trust Company of Chicago, Chicago

Canada Permanent Trust Company, Toronto, Canada

To the Shareholders of Gulf Oil Corporation

Gulf's seventieth year, 1971, was one of significant achievement. As is traditional, this Annual Report takes note of that achievement by citing specifics about the Company's operations around the world. A seventieth anniversary, however, seems an opportune time also to look ahead and to consider the Company's place, its identity, in a rapidly changing world.

Founded in 1901, Gulf has become a leading international petroleum company, well diversified, with operations in more than 70 countries. The strength inherent in that diversification of petroleum production, refining, transportation, and marketing has been the basis for the growth and prosperity of Gulf for many years. It will continue to be so for many more years. In achieving that diversification, Gulf has also sought to become diversified in other ways: in preparing for the world of new energy sources and in preparing to participate fully in fast-growing ventures that do not involve energy but are otherwise related to the capabilities and interests of our Company. Although these are long-term investments, the prospects are outstanding. In 1971, significant progress was made toward accomplishing this three-way diversification.

To highlight that progress and to provide a clear and more unified view of the complex operations of Gulf, this Annual Report is divided into these three parts:

Petroleum and Chemicals

New Energy Sources

Related Investments

Net income of Gulf Oil Corporation for the 12 months ended December 31, 1971, was $561 million, an increase of 2 percent from the $550 million earned in 1970. This represented earnings of $2.70 per share in 1971 as compared with $2.65 per share earned in 1970. During 1971, cash dividends of $1.50 per share totalled $312 million.

March 10, 1972

The Corporation's results for the year were not up to expectations. This was primarily due to the general economic slowdown in the U.S., Europe, and Japan, general price weakness for gasoline in the United States throughout most of the year, problems in starting up new chemical facilities and a loss on shutdown and disposal of unprofitable chemical operations, devaluation of the U.S. dollar and the realignment of other currencies, and a warm winter which minimized demand for heating fuel.

Declines in U.S. oil and gas production partially offset increased foreign production. U.S. declines resulted from reduced exploration drilling in recent years and decreasing production from older oil fields, both problems that are common to most U.S. petroleum companies. The Federal Government restrictions on offshore drilling prevented the development of production in the Santa Barbara Channel, California; this also contributed to the decline.

Following hard bargaining, an industry-wide agreement relating to increased posted prices for crude oil for tax and royalty purposes was successfully concluded in February 1971 with the six OPEC (Organization of Petroleum Exporting Countries) Gulf states, including Kuwait and Iran. This agreement resulted in very substantial increases in payments to these governments, in exchange for stability of financial arrangements and security of supply during the period of the agreement ending in December 1975.

On January 20, 1972, an agreement on the issue of the devaluation of the U.S. dollar was reached between the companies and the OPEC governments, supplemental to the Tehran Agreement. It provided for an 8.49 percent further increase in posted prices for tax and royalty purposes, recognizing that the timing and magnitude of widespread changes in international currencies such as occurred during 1971 had not been foreseen at the time of the Tehran Agreement. Additionally, initial discussions were opened on the demand for participation by the OPEC countries in the existing holdings of the oil companies.

Progress was made in establishing Gulf as a major supplier of nuclear power systems. This came with the selection by two utilities of four High Temperature Gas-cooled Reactor systems from Gulf General Atomic Company.

Gulf continued its commitment to an improved environment with record pollution abatement expenditures in 1971 of $45 million. This expenditure is a measure of our continuing effort to achieve the higher standards for air and water so essential to the well-being and pride of the countries in which we operate.

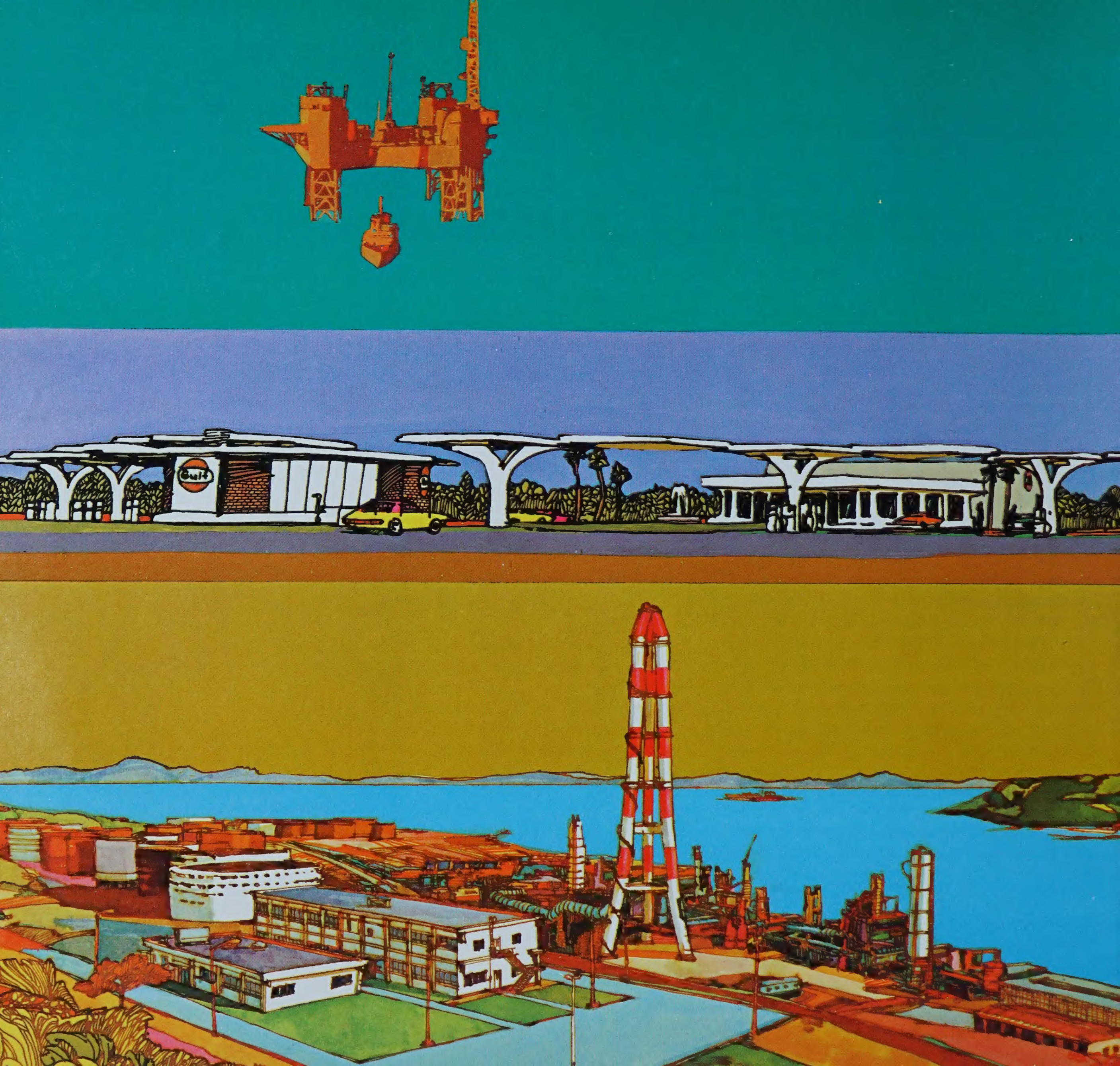
Improving economic conditions in the U.S., along with continued increased demand for Gulf products and services, should help make 1972 a better year for Gulf. New chemical and refining facilities, a stronger tanker position, and the addition of crude oil production in Ecuador this year are reasons for confidence that Gulf will resume its historic pattern of vigorous growth.

Gulf Oil Company—Asia was formed, consolidating Gulf Oil Company—East Asia and Gulf Oil Company—South Asia. This was done to coordinate the extensive exploration activities and increasing investments initially developed by the two operations in the Far East. President of the new consolidated company is W. W. Finley, Jr.

E. D. Brockett retired as Chairman of the Board and Chief Executive Officer at the end of 1971. He had served in those capacities since 1965 and brought to the Corporation a leadership and foresight that enabled Gulf to make great progress. His immense contribution to the success of Gulf, in a most distinguished career that spanned 37 years, will always be valued and long be felt. Happily for all of us, he will continue to serve on the Board of Directors.

Respectfully submitted,

B. R. DORSEY, *President*


Gulf

PART 1 **Petroleum and Chemicals**

Exploration and Production

Gulf is part of a great natural resource development industry dependent on finding and producing petroleum and natural gas. The challenge to the exploration and production capability of an oil company is to supply an ever-growing demand despite increasing difficulties that are natural, political, economic, and environmental. The natural obstacle is the increasing difficulty and cost involved in finding a diminishing finite resource. The political and economic factors involve higher taxes, royalties, and government restrictions. Environmental considerations lead to the inevitability that oil, as it is produced, refined, transported, and marketed, will come under ever more complex regulations.

Production of crude oil outside the Communist Bloc in 1971 was more than 40 million barrels per day. By 1980 this could increase to more than 73 million barrels per day. Gulf's part in the 1971 production was about 3,157,000 barrels per day.

It is obvious that more oil must be found, and Gulf in 1971 was very active in that search. Gulf is strongly committed to a worldwide search for energy resources in areas that appear politically stable and offer an attractive investment climate. At the end of the year, active exploration programs were being carried on in 31 countries.

(top) *Drilling in the North Sea; (center) the Gulf Car Care Center at Walt Disney World in Florida; and* (bottom) *the 100,000-barrel-a-day refinery nearing completion on Okinawa in the Ryukyus.*

During the year, Gulf had an overall increase in the production of crude oil, condensate, and natural gas liquids of 7.6 percent, from 3,050,000 barrels per day in 1970 to 3,282,000 barrels per day in 1971. The production of natural gas rose from 3,486 million cubic feet per day to 3,539 million cubic feet per day, a 1.5 percent increase.

Gas liquids production increased by 2 percent in the U. S. and 5.4 percent outside the U. S., maintaining Gulf's prominent position in this specialized part of the petroleum industry. While U. S. gas liquids sales declined slightly as a result of relinquishing low-margin volumes, total revenue from gas liquids reached a new all-time high in 1971.

United States

Increases in production were recorded in all the countries in which Gulf produces except the United States and Venezuela. Daily production in the U. S. of crude oil, condensate, and natural gas liquids dropped from 626,000 to 592,300 barrels per day. The production of natural gas in the U. S. showed a 2.6 percent decrease.

To offset this decline in U. S. production, efforts are being intensified in several areas in the United States. Recent drilling by Gulf and others in the Uinta Basin of northern Utah has established promising new production. Gulf holds more than a half million acres in this basin, on which a number of oil wells have been successfully completed. This is one of the industry's most active onshore exploration areas.

The Federal lease sale of approximately 300,000 acres offshore Louisiana was canceled as a result of court action brought by environmental groups. Also, restrictions on drilling in the Santa Barbara

Channel off California, and the delay in granting permission to build the Alaskan pipeline have adversely affected exploration and development.

Africa

Gulf's geographical diversification of supply continued to improve: West Africa supplied 12 percent of Gulf's worldwide production as compared with only 2 percent in 1967. Four fields were discovered there in 1971, two in Nigeria and two in Cabinda. In Nigeria, Gulf's crude oil production from seven fields reached 307,000 barrels per day by the end of the year. Significant new production was added from some of the existing fields, and the Abiteye Field, which was discovered in 1970, will be placed on production when a pipeline is completed in 1972. In Cabinda production increased by 18 percent to almost 100,000 barrels a day for the year. The addition of new offshore production facilities raised export capacity in Cabinda to 130,000 barrels per day at year end. In December a new oil discovery 20 miles off the Cabinda coast was announced. Further drilling will determine the extent of that deposit.

Early in 1971, as was reported in the 1970 Annual Report, Gulf discovered oil in Zaire (formerly the Democratic Republic of the Congo). It was on a concession in which Gulf has a 65 percent interest. Further drilling is planned to evaluate this area, which is near Gulf's Cabinda production.

Along the West African coast in Gabon, oil was found in two offshore Gulf wells in 1971. In April, on a parcel 30 percent owned by Gulf, a partner also found oil offshore. Additional wells are planned to evaluate the importance of these discoveries.

Europe

In the North Sea, Gulf continued its search for oil and gas. Gulf is represented in every sector of the North Sea exploratory area, which continued to be the most active in Europe. The Danish Underground Consortium, in which Gulf has a 30 percent interest and is the operator, discovered oil on a structure in the Central North Sea. Equipment was being installed and production should begin by mid-summer 1972, at a rate of about 15,000 barrels a day. This production will be from a platform set on the sea floor 120 miles from land. The Consortium has tested oil and gas on several other structures in the Danish offshore concession. Gulf's jointly held acreage in the United Kingdom area of the North Sea was enlarged, and additional licenses were sought to explore further there and in German and Norwegian waters.

Canada

Gulf has announced a five-year joint venture with its subsidiary, Gulf Oil Canada Limited, to mount an aggressive exploration program in the Arctic and offshore areas of Canada. The joint venture will enable Gulf to increase rapidly its holdings in Canada's frontier area and to undertake long-term exploration on a greater scale. Geophysical investigations started late in the year in the Sverdrup Basin of the Arctic Islands and the first wildcat was rigging up at year's end on Ellef Ringnes Island.

Gulf Canada also had 31.5 million acres of prospective land holdings at the end of the year. It held promising acreage off the east coast of Canada, and a marine seismic project was completed on an 11-million acre permit, in which Gulf Canada had a 25 percent interest, on the Grand Banks, east of Newfoundland. Drilling on this block will begin late in 1972. Additional drilling on Gulf Canada's joint acreage in the Mackenzie Delta got underway in December. With the new 50-percent-owned Strachan gas plant on stream, Gulf Canada's sales of natural gas in 1971 were at record levels, along with crude oil and gas liquids production.

South America

In Ecuador, additional successful wildcats were completed, making a total of 13 oil fields capable of production. The principal effort in 1971 by Gulf and its partner was the development drilling program for these fields and construction of the associated road and production facilities. Construc-

tion of the Trans-Ecuadorian Pipeline across the Andes Mountains proceeded on schedule and production should begin at mid-year. Gulf's share of production there is expected to be about 125,000 barrels a day initially.

In Colombia, crude oil production volumes from partner-operated joint operations increased 9 percent over the previous year.

Net production of crude oil, condensate, and natural gas liquids in Venezuela decreased by 3 percent. The reduction was due primarily to the softening of the world market for fuel oil. Studies Gulf had underway for supplying natural gas from Eastern Venezuela for liquid natural gas export to the U. S. were suspended following passage of a law which would largely reserve the natural gas industry for the state. The future of investment there was further clouded during 1971 by the enactment of the hydrocarbon reversion law, issuance of new regulations that impose governmental controls and sanctions over production volumes and concession operations, and by establishment of new tax reference values for 1972 which will substantially increase the cost of Venezuelan crude oils.

Asia

In Southeast and Northeast Asia, Gulf's active exploration program proceeded, with several wildcat wells scheduled for 1972. Gulf has under concession 146 million acres, of which all but 13 million are offshore.

Refining

Three new refineries were completed during the year, one in the U. S. and two in Canada. Construction was near completion on three others: on Okinawa; near Milan, Italy; and at Bilbao, Spain. The new refineries on stream are Alliance, near New Orleans; Point Tupper, Nova Scotia; and Edmonton, Alberta.

United States

The Alliance Refinery was dedicated in October and was in the early stages of startup at year's end. It is the largest refinery ever built in one construction phase, having a capacity of about 155,000 barrels of crude oil per day, and is designed to be one of the most efficient refineries in the world. This resulted in an increase of about 16 percent in Gulf's U. S. refining capacity. Products from the refinery move through the Colonial Pipeline system to eastern U. S. markets. The refinery, located on the west bank of the Mississippi River, at Myrtle Grove, 20 miles south of New Orleans, has the latest environmental safeguards and opened with the dedication: "Serve man and conserve nature."

In April, the Black Creek Refinery in Mississippi was sold and markets served by it will now be supplied by the Alliance Refinery.

At the Philadelphia Refinery, a $30 million program is underway to reduce air and water pollution. Through the Philadelphia Authority for Industrial Development, Gulf will have access to $25 million for the refinery pollution abatement program. The public offering of the Pollution Control Revenue Bonds, which averaged 5.2 percent interest, were immediately oversubscribed. As part of the program, a contract on a water effluent anti-pollution system was awarded to Gulf Degremont. The water-treating facilities will allow the refinery to comply with future local and state regulations. Construction also began on a hydrofluoric acid alkylation unit to enable the refinery to meet future low-lead and no-lead requirements.

International

In Canada, a major refinery modernization and expansion program was completed, increasing crude oil capacity by more than 60 percent, to over 300,000 barrels per day. The Point Tupper Refinery began processing more than 80,000 barrels of crude oil a day. This was followed at mid-year by the Edmonton Refinery, largest in Western Canada at 80,000 barrels per day. It supplies products to Saskatchewan through the Interprovincial Pipeline and to southern Alberta through a pipeline built by

Gulf Canada and completed early in the year.

In Milan, Gulf's wholly owned refinery, with a capacity of 80,000 barrels per day, was in the early stages of being started up at year's end. It is equipped with the latest environmental systems, including water re-utilization, biological purification, and continuous on-stream monitoring.

In Bilbao, the partly owned refinery will have a capacity of 120,000 barrels per day. It should be on stream about mid-year.

In accordance with agreements with the Japanese Government, which will have jurisdiction from the 1972 reversion of Okinawa to Japan, Gulf is negotiating with Japanese companies to establish joint companies for the Okinawa Refinery and for the Okinawa Terminal.

The jointly owned refinery at Wulsan in Korea is being expanded by 100,000 barrels a day to keep pace with increasing demand in Korea for petroleum products. Completion of this expansion will result in a seven-fold increase since that refinery was brought on stream eight years ago.

In Taiwan, a lube oil expansion program was completed in December, increasing the daily capacity of the China Gulf plant from 600 barrels to 2,200 barrels.

Transportation

During the year Gulf added five long-term charter vessels in the over 200,000-deadweight-ton class to its fleet, making a total of 14 tankers of this size. At the end of 1971, Gulf's ocean-going fleet consisted of 104 vessels with a total deadweight capacity of more than 8,150,000 tons. Future additions to the fleet now under construction and commitments for tankers under term charters will add 3,700,000 deadweight tons by 1975. These will make Gulf's fleet one of the most modern in the industry.

With the completion of the Point Tupper dock in Nova Scotia, Gulf became the first international oil company with three deep-water terminals that can accommodate the mammoth tankers. The other two terminals are at Bantry Bay, Ireland, and Okinawa. Each is at the doorstep of a major market —North America, Europe, and Asia.

Gulf achieved a balanced tanker fleet position and at year's end became virtually free of exposure to the vagaries of the spot and short-term charter market. Gulf's own tankers and period chartered tankers should be sufficient to meet requirements in 1972.

Gulf continued to participate in industry programs for tanker safety and pollution safeguards.

Marketing

In the United States, Gulf initiated consumer studies in a variety of diversified retail outlets to determine customer preferences for buying products in other than traditional service stations. Gulf began petroleum marketing in connection with convenience food stores and also is testing self-service stations. To raise the level of customer service and improve sales, incentive programs were conducted for Gulf dealers and their employees.

Thirty-nine sales districts, operating as individual Profit Centers, were created throughout the U. S. to help increase efficiency by placing more decision-making authority with field management. To streamline marketing operations, region offices at Los Angeles and Chicago were phased out and their territory transferred to the region offices in Philadelphia, Atlanta, and Tulsa. This is consistent with placing greater authority with the newly established District Profit Centers. With the phasing out of some marginal outlets, there were about 30,000 Gulf service stations in the United States at the end of the year.

Under a long-term arrangement, Gulf opened a travel information and hospitality center in Walt Disney World, near Orlando, Florida, and a Gulf

Car Care Center was put into operation there. Another has been opened at Disneyland near Los Angeles.

Consolidation of the Philadelphia and Atlanta Travel Card operations was completed. All Gulf Travel Card operations are now handled from the two centers in Atlanta and Houston.

Another major undertaking was the reissuance of 13 million new-design Gulf Travel Cards; it started in October and should be completed during the first quarter of 1972. The new card with a signature panel and expiration date will offer better customer protection and control of fraud losses.

Gulf's unique alliance with Holiday Inns, Inc., which was founded in 1963 on the basis of "the total travel concept," continues to receive increased acceptance by the traveling public. More than $135 million for lodging, food, and services was charged at more than 1,340 Holiday Inns in the U. S., Canada, Puerto Rico, and the Bahamas by Gulf Travel Card holders during 1971. As in all previous years there was another increase in the number of new Gulf Travel Card accounts obtained from applications on display in Holiday Inns guest rooms and lobbies. By the end of 1971 Gulf had 641 service stations in close proximity to Holiday Inns to service the automotive needs of guests.

Construction of the Explorer Pipeline from the Gulf Coast to Dallas, Tulsa, St. Louis, and Chicago is almost complete. The Houston marketing terminal received the first Gulf tender on November 21, 1971. All products for the Houston facility are now moving via Explorer from the Port Arthur Refinery. Deliveries to other Gulf locations will be underway by mid-1972.

In the U. S., there was a slight decrease in refined product sales volumes. This was largely in middle distillates due to an unusually warm winter which affected demand for heating oil; it was partially offset by increased sales to utilities for power generation. Sales of residual fuel continued at a high level with realizations substantially above any previous year.

In Europe, headquarters offices were established in Brussels, London, Madrid, Rome, and Stockholm. By this administrative realignment, improved operating efficiencies are expected in the 12 Western European countries in which Gulf markets petroleum products. The sign of the Orange Disc is becoming better known throughout Europe, particularly in West Germany, Italy, Great Britain, and Scandinavia. Improvement of the profitability of Gulf's service station network continued to be the primary objective of Gulf Oil Company—Eastern Hemisphere. The total number of service stations decreased slightly, to 6,600, despite the acquisition of two small dealer chains in Denmark and Germany.

One of eleven new tankers under construction in Spain for service in Gulf's foreign flag fleet.

New asphalt manufacturing facilities went on stream at Gulf's refinery at Europoort, Holland, and bulk plants were set up in Britain, Denmark, Germany, and Sweden. It is anticipated that the facilities will be operating at top capacity in 1972.

In Europe, product prices increased during the first half of the year, but came down considerably in the second half due to a combination of factors which reduced demand at a time when inventories were high. These factors included a general economic slowdown and a mild winter, which affected sales of heating and fuel oils, Gulf's principal petroleum products in Europe.

Gulf continued development of full-line marketing in Puerto Rico, Guatemala, Costa Rica, Panama, Peru, Ecuador, and Venezuela. Marketing activities in the Bahamas ceased (except for the Freeport installation), with the sale of Gulf's facilities there.

Sales of petroleum products in Canada were up in all categories, an overall improvement of 14.2 percent. Highlights of Gulf Canada's marketing were consolidation of the company's representation in Western Canada, the selective introduction of self-serve retail outlets, and a departmental reorganization following a management study. This was done to strengthen the three main markets—motorist, heating, and industrial.

Chemicals

Gulf maintained a strong commitment to continued investments in the chemicals business, domestic and foreign. Gulf Oil Chemicals Company, formed in 1970 to maximize the efficiency and profitability of worldwide chemical operations, made noteworthy progress in capitalizing on its strengths and reducing that part of the business not meeting profit criteria. The major portion of fertilizer inventories was sold and agricultural chemical plants were leased to The Williams Companies. In Canada, several high-cost plants were shut down and significant expense reductions will be achieved.

The new 250,000-ton-per-year styrene plant in St. James Parish, Louisiana, was started up on time, and has exceeded design guarantees. Another new unit of the low-density polyethylene plant at Orange, Texas, was brought on stream, increasing by 50,000 tons per year the capacity to produce this versatile plastic. The new aromatics plant at the Alliance Refinery should be in production by mid-year.

A new ethylene plant in the Corporation's refinery-chemical complex at Europoort, Holland, came on stream early in 1971. This climaxes the current expansion phase of Gulf's European petrochemical facilities which also produce benzene, cumene, cyclohexane, propylene, and styrene. While the start-up expenses incurred were unusually heavy, the advanced design of the plant should insure competitive operations. During the start-up of this plant, large flares and noise, which were unavoidable, created some disturbance with the residents and resulted in a local government order to suspend production. The order was appealed and production continued. Gulf has taken prompt steps to correct these problems and has received a license to operate the plant, subject to compliance with specified conditions.

In Spain, Rio Gulf Petrolquimica, a Gulf joint venture company, completed its first full year of operation with improved sales volumes. Fertiberia, another Gulf joint venture company, has announced that it is building a nitric acid plant of 90,000 tons per year capacity at its Castellon site.

In Korea, construction of the naphtha cracker at Korea Oil Corporation's Wulsan Refinery continued to progress satisfactorily. This unit will be the heart of the Republic of Korea's first large petrochemical complex. Also in Korea, Chinhae Chemical Company, a fertilizer joint venture, continued to operate at high levels. Other areas in the Far East where Gulf continued to expand chemicals operations were Taiwan, Singapore, and Indonesia.

Although demand for chemicals was not as strong as the previous year, reflecting general business conditions in the U. S. and abroad, indications are that demand will pick up in 1972.

Research and Development

Gulf's research effort has been directed toward the solution of shorter-term projects that yield a faster rate of return for the operating companies of the Corporation. The greater emphasis on this aspect in 1971 was primarily due to the increasing demand for energy, the need to meet the more stringent anti-pollution laws, and the general state of the national economy. In accomplishing these objectives, closer coordination with the operating elements has been achieved.

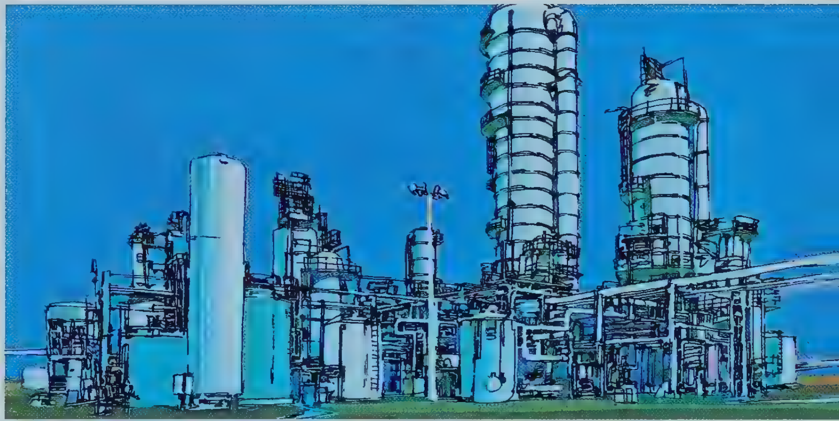
The continental margins, or shelves, of the world, supplying some 20 percent of crude oil demand, are of increasing interest to exploration research because of their potential as crude sources for Gulf.

Research geologists are applying newer techniques in the integration of geological data with geophysical data. Geological data may aid the geophysicist in selecting promising areas to survey or may aid in a better interpretation of the data received from magnetic, gravity, and seismic surveys. Gulf Research & Development Company is involved in a growing collaboration with the operating subsidiaries so that the latter can more quickly and easily apply the latest techniques of acquiring and interpreting geophysical data.

Heavy fuel oils manufactured from some crude oils have a sulfur content unacceptable in many communities. Gulf has, over the years, developed several processes for lowering or removing sulfur from its products. During 1971, the new Gulf Type III HDS (Hydrodesulfurization) Process was announced. This process is capable of economically reducing the sulfur content of Kuwait heavy fuels to less than one half of one percent. These fuels meet anti-pollution requirements on the Eastern seaboard of the U.S. and in Japan.

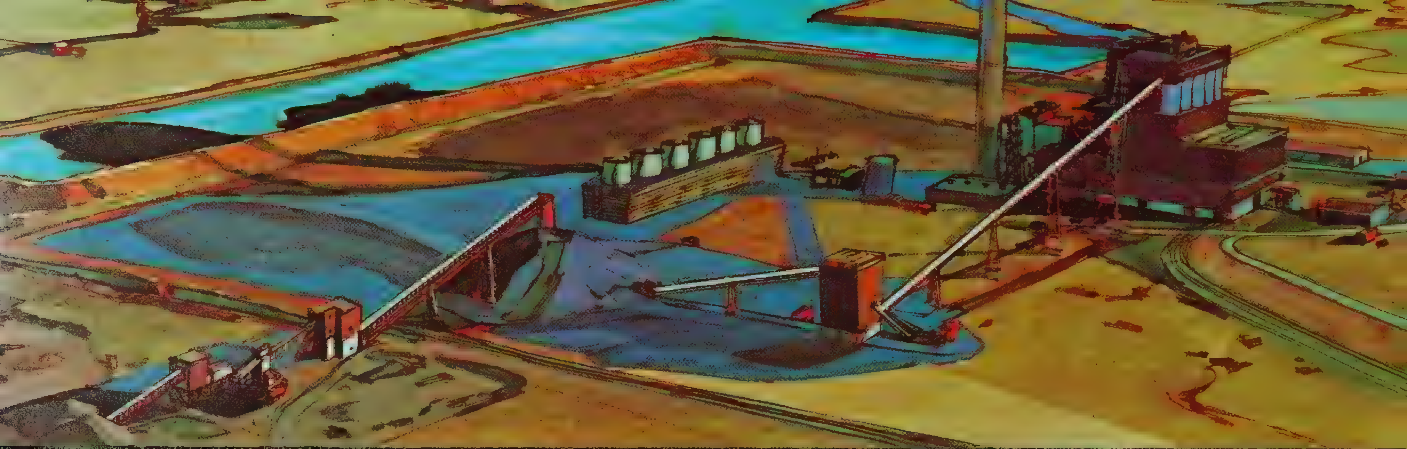
All of Gulf's major branded motor oils have been reformulated and a new ash-free product—Gulfco 540—was developed and introduced for lubricating natural gas-burning compressor engines. Industrial lubricants have been developed to eliminate the need for sperm oil as a friction modifier, as the sperm whale has been placed on the "endangered species" list.

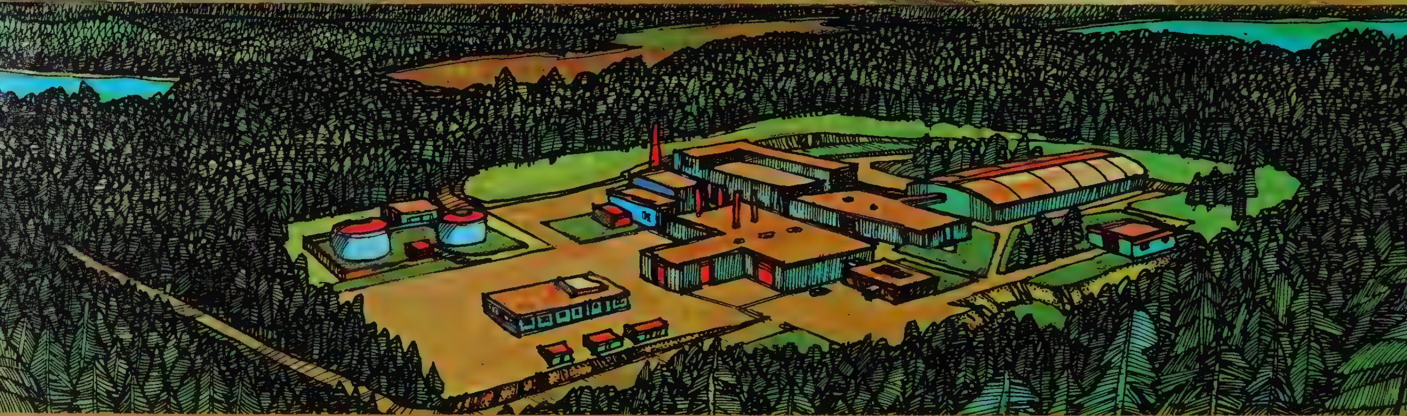
Gulf Research & Development Company is installing a gasoline sales data-acquisition system in 15 Gulf dealer-operated service stations in the Dallas-Fort Worth area. Dollar sales and gallonage for each gasoline grade sold will be recorded in a register in the station, which a computer located in the supply terminal can monitor by regular telephone lines. The information will be used for more efficient product distribution and to evaluate sales trends.



In 1971, a 250,000-ton-per-year styrene unit went into operation in St. James Parish, Louisiana.

Gulf studies indicated the feasibility of continuous catalytic conversion of coal to produce a liquid fuel containing less than one-tenth of one percent sulfur and having a high heating value.





PART 2 **New Energy Sources**

Nuclear

Gulf is actively involved in almost all sectors of the rapidly growing nuclear energy business that are open to private enterprise. The nuclear power market available to Gulf includes:

- Uranium exploration, mining and milling
- Light water reactor fuel cycle services
- Gas-cooled reactors and fuel supply
- Fuel reprocessing

The Corporation continued in 1971 to broaden its position in nuclear energy, with heightened activity by both Gulf Energy & Environmental Systems Company in San Diego, and Gulf Mineral Resources Company in Denver.

A new firm, Gulf United Nuclear Fuels, was established jointly with United Nuclear Corporation to manufacture and market light water nuclear reactor fuels for the electric utility industry. With a year-end backlog of some $250 million in orders, Gulf United is established as the nation's leading independent supplier of light water reactor fuels. This fuel market in the U. S. alone is expected to amount to about two billion dollars by 1985.

Construction of the world's largest nuclear fuel reprocessing plant in Barnwell, South Carolina, by Allied-Gulf Nuclear Services proceeded on schedule. The plant, due to start up in 1974, will have an annual capacity of 1,500 metric tons. Gulf is in partnership with Allied Chemical Corporation. Some $150 million in orders had been accumulated by the end of 1971.

Major progress was made in establishing Gulf as a supplier of nuclear power systems with the selection by two utilities of four High Temperature Gas-cooled Reactor systems from Gulf General Atomic Company, a division of Gulf Energy & Environmental Systems. These nuclear systems represent about 16 percent of new nuclear generating capacity announced by U. S. electric utility companies during 1971.

The Philadelphia Electric Company announced plans in September to purchase two HTGR systems for approximately $250 million. The twin reactors will provide steam for a 2,300,000-kilowatt nuclear power plant; the first reactor is scheduled for commercial operation in 1979 and the second in 1981.

In December, the Delmarva Power & Light Company of Wilmington, Delaware, announced plans for two 770,000-kilowatt nuclear generating units incorporating Gulf's HTGR. The plant will be a smaller version of the twin Philadelphia Electric Company station. Gulf General Atomic will provide the nuclear systems which will cost about $200 million. The first unit is scheduled to be in commer-

(top) *Pittsburg & Midway's Empire Mine supplies coal directly to the Empire District Electric Company's generating plant at Asbury, Mo.* (center) *Architect-engineer's conception of the mill to be constructed at the Rabbit Lake uranium discovery in Northern Saskatchewan.* (bottom) *Artist's conception of a nuclear generating station of the type to be built for Philadelphia Electric and Delmarva Power & Light Companies.*

cial service in 1979 and the second about three years later.

One of the factors in the selection of the HTGR was its superior environmental characteristics, as well as the continuing outstanding performance of the prototype HTGR that has been in commercial operation since 1967 at Philadelphia Electric's Peach Bottom Atomic Power Station. The Peach Bottom HTGR, a 40,000-kilowatt facility, has produced an outstanding availability record and has the highest efficiency of any nuclear power plant in the nation.

Major construction of the 330,000-kilowatt Fort St. Vrain Nuclear Generating Station near Denver on the system of Public Service Company of Colorado was completed on schedule by Gulf General Atomic during 1971. Commercial operation of this plant, which was built under the AEC's Power Demonstration Reactor Program, will begin in the summer of 1972.

Gulf General Atomic is also developing advanced versions of the High Temperature Gas-cooled Reactor, one for use with gas turbines and another for use in coal-gasification and similar process-heat applications.

Gas-Cooled Fast Reactor support by both electric utility companies and the U. S. Atomic Energy Commission increased during the year. Forty-seven electric utility companies are providing their technical and financial assistance toward the development of this very promising approach to a fast breeder reactor.

Doublet II, newest research tool in the effort to harness thermonuclear fusion for electric power production, was successfully operated by Gulf General Atomic. Fusion is looked upon as the power of the future because it will not produce significant radioactive waste and its fuel will be an isotope of hydrogen available from seawater. Doublet II is designed to produce a ten-fold improvement in the "leakproof magnetic bottle" needed for a controlled fusion power reactor. The Gulf program, supported by the Atomic Energy Commission, is the largest industrial controlled fusion research effort in the world.

Uranium

During 1971, Gulf accelerated its efforts toward becoming a major producer of uranium for the world's power markets. Gulf Mineral Resources Company acquired sole ownership of a large high-grade uranium ore body and a 49 percent interest in two nearby ore bodies in New Mexico. Engineering studies leading to mine development and ore production have been initiated. Gulf also acquired exploration acreage near these ore bodies.

Elsewhere in New Mexico, Gulf added to existing reserves and acquired additional acreage which will be tested in 1972. Plans for exploiting the Company's Mariano deposit there are well advanced.

Gulf Minerals Canada Limited has scheduled production of the ore body in Rabbit Lake to begin

in 1975, at an annual rate of 4.5 million pounds. The project is a joint venture with a German-owned company and Gulf Oil Canada Limited. Site development commenced this year and mill construction will begin in 1972. The Province of Saskatchewan is constructing a road to link this northern area with the rest of the Province.

Exploration will continue in Saskatchewan in 1972 on prime prospects which have been located by prior field work. Exploration in another province has revealed extensive near-surface uranium mineralization worthy of additional drilling.

Coal

Earnings of The Pittsburg & Midway Coal Mining Co. improved in 1971 and further gains are expected in 1972. However, profits fell short of projection due to the six-week industry-wide strike in the fall which completely shut down the company's mines. Virtually all the P&M coal is sold to utilities under long-term contracts which permit price escalation to cover increased labor costs.

A new strip mine in eastern Kansas will commence production in 1972, reaching capacity in 1973. It will increase the company's annual tonnage by over 25 percent. Compliance with Federal health and safety regulations required substantial expenditures in 1971. Additional expenditures in 1972 will be necessary, amounting to over ten percent of the total budget.

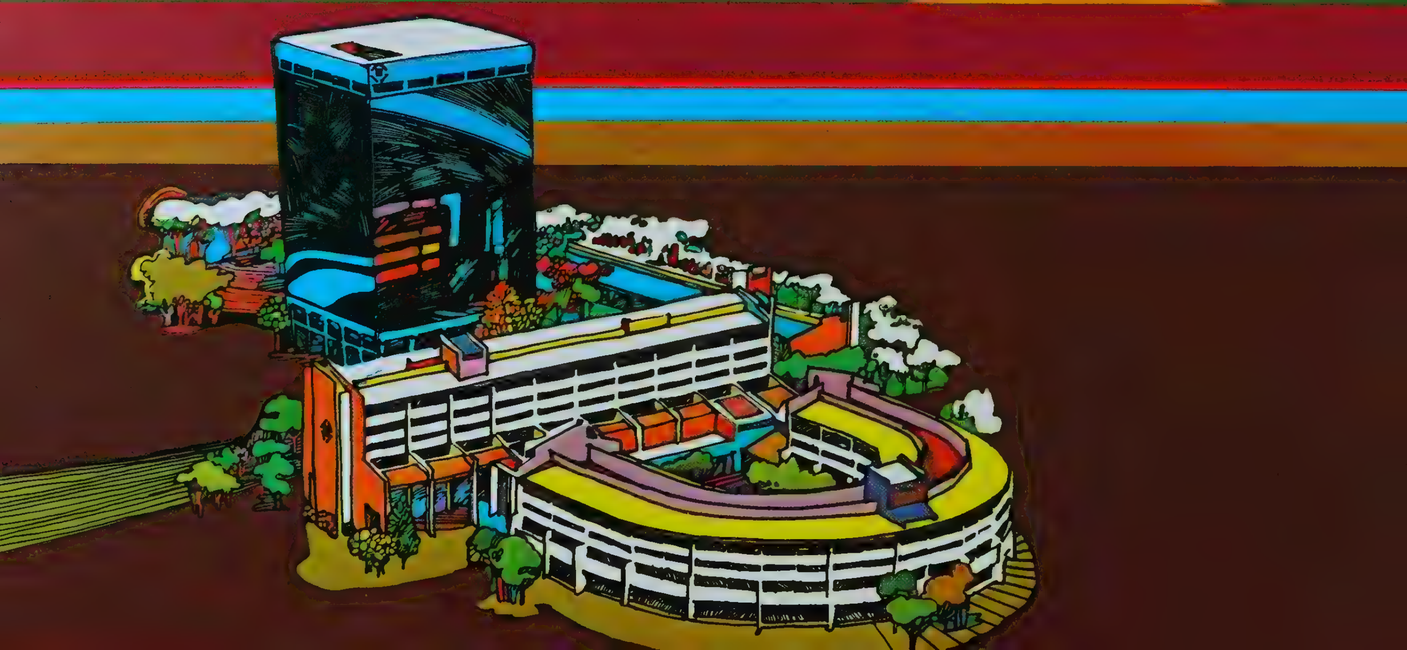
Pittsburg & Midway is the prime contractor to the Office of Coal Research, Department of the Interior, in the development of a solvent refined coal process. Research conducted by P&M has demonstrated the technical feasibility of producing low-ash, low-sulfur fuel from any coal. It is anticipated that Federal funding may be approved in 1972 to commence construction of a pilot demonstration plant in Tacoma, Washington, to develop further the process and economics.

Synthetic Fuels

An active program of exploration, property acquisition, research, and technological development was maintained in synthetic fuels to assure the Corporation's future position in this important energy source. The Company holds reserves in oil sands, oil shale and coal, which can be used as feedstock for conversion plants to produce hydrocarbon gases and liquids. Preliminary engineering studies during the year verified that Gulf's coal reserves in Montana are adequate to meet the raw material requirements of several large synthetic fuel plants. Research is underway to develop processes to extract and upgrade these resources into marketable products.

At year's end, Gulf Mineral Resources Company received an oil shale drilling permit from the Department of the Interior under the Federal Prototype Leasing Program. Test holes will be drilled on Federal lands in the Uinta Basin in Utah.

Syncrude Canada Limited, in which Gulf Oil Canada has a 10 percent interest, obtained tentative approval to build a 125,000-barrel-per-day synthetic oil plant in Alberta. The Syncrude venture will make commercial oil from the Athabasca oil sands. Operation is scheduled to begin in 1976.



PART 3 # Related Investments

Gulf continued to seek new ways to develop and utilize its technological know-how, its capital strengths, and its managerial capabilities. This means diversification outside of the energy industry, as well as within. During 1971, noteworthy progress was made in this diversification beyond energy, into related businesses.

One of these related businesses is real estate. Reston, Virginia, the new community concept being developed by Gulf, became profitable in 1971 as anticipated. Total sales of residential property in Reston for the year reached a record $42.8 million. This represents over $20 million of residential property developed by Gulf Reston, Inc. and over $20 million by other builders in Reston, for a total of 2,400 residential units. The population of Reston at the end of the year reached 16,000, a 42 percent increase over 1970.

(top) *A prototype design of the Pan-Am-Gulf motel chain to be constructed in Western Europe.* (center) *The Cypress Creek Golf Club House, part of Major Center at Orlando, Fla.* (bottom) *The Sheraton Inn and Conference Center being built at Reston, Va.*

The first major commercial and industrial expansion since Reston's founding, representing over $69 million in construction, was started in 1971. A major portion of this expansion is the $54 million national headquarters facility of the U. S. Geological Survey now well underway. Over a dozen other organizations have acquired land and some have started construction. The first motor inn and conference center and the first high-rise office building are due to be completed in 1972.

Until Reston, Gulf's involvement with real estate had narrow boundaries—acquisition of service station sites and related land, and sites for refineries, tank farms, terminals, and warehouses. Gulf has about one-half billion dollars worth of land (at cost) and must seek the highest possible utilization and return. This may mean more land development, more Restons.

Because of Reston's success, the need for innovative solutions to the urban sprawl, and Gulf's managerial capability in this area, Gulf in 1971 formed a new subsidiary, Gulf Oil Real Estate Development Company.

This new company has three major areas of responsibility. The first is surplus Gulf properties. It will categorize these by size, location, carrying costs, zoning use, etc., and through computer analysis determine how best to utilize them. This could mean a recommendation to develop new

communities, shopping centers, office buildings, hotels, or whatever. In doing this, Gulf plans to utilize local developers. The second responsibility is the development of land not presently owned by Gulf. Gulf Real Estate will look at various development opportunities including the creating of communities and the development of industrial and commercial properties. The third area is Gulf properties presently in use. Principally these are service station sites. Changing land values and marketing concepts, however, demand that consideration be given to using sites for something that may yield a higher rate of return.

Gulf Oil Real Estate Development Company started a complete survey of all Gulf properties in the U. S. Eventually this search and analysis process will touch all Gulf properties around the world.

In December, Gulf Oil Real Estate Development Company and Major Realty Corporation of Orlando, Florida, announced that a residential-industrial-commercial complex will be developed on a 2,700-acre site in Orlando. This joint venture will be known as Major Center and includes the development of large hotel-motel complexes, apartments and townhouses, shopping centers and office and commercial buildings. Major Center, located at the crossroads of one of the fastest-growing areas in the U. S., constitutes 15 percent of Orlando's incorporated area and should be fully developed in eight to ten years. The site is five miles south of the downtown area and five miles north of Walt Disney World, which opened in October with Gulf as a major participant and sponsor.

In other areas of diversification, Gulf concluded an agreement with Pan American World Airways, a joint venture, to build and operate motor inns and hotels in Western Europe. The first of these should be completed in 1973.

Gulf Environmental Systems Company, a division of Gulf Energy & Environmental Systems, consolidated its position in the water and waste treatment business during 1971, especially with the Gulf Degremont organization formed through acquisition late in 1970. In addition to commercial sales, the company is participating in the Corporation's own environmental improvement programs and is responsible for design and construction of a $6 million effluent treatment system at the Philadelphia Refinery.

The world's largest reverse osmosis water treatment system, a Gulf unit in Japan, supplies 800,000 gallons per day for a new application, high-pressure boiler feed water treatment. A similar unit was constructed in 1971 at the Ocean Reef Club residential resort near Key Largo, Florida. Drawing from a brackish well, it produces 350,000 gallons of potable water per day. The reverse osmosis water purification system is also turning mine drainage into soft potable water with a high degree of purity in a Federal-State test project near Shickshinny, Pennsylvania. The test is aimed at helping Pennsylvania develop plans for a large demonstration plant in northern Cambria County.

A Gulf reverse osmosis water treatment installation was recently completed at Ocean Reef Club, North Key Largo, Florida.

Consolidated Statement of Income and Retained Earnings

	Millions of Dollars Years Ended December 31	
	1971	1970
Revenues		
Sales and other operating revenues	$7,205	$6,597
Dividends, interest and other revenues	167	123
	7,372	6,720
Deductions		
Purchased crude oil, products and merchandise	1,651	1,656
Operating, selling and administrative expenses	2,265	1,992
Taxes on income and general taxes (Note 9)	2,248	1,888
Depreciation, depletion, amortization and retirements (Note 5)	510	522
Interest on long-term debt	137	112
	6,811	6,170
Net Income	561	550
Per Share 1971—$2.70; 1970—$2.65		
Retained Earnings at Beginning of Year	3,794	3,556
Cash Dividends Paid	(312)	(312)
Per Share 1971 and 1970—$1.50		
Retained Earnings at End of Year	$4,043	$3,794

The notes on pages 21 to 25 are an integral part of the financial statements.

Consolidated Statement of Financial Position

	Millions of Dollars December 31	
	1971	1970
Assets		
Current Assets		
Cash	$ 112	$ 113
Marketable securities (Note 2)	475	352
Receivables (Note 2)	1,300	1,272
Inventories (Note 3)	652	622
Prepaid expenses	113	89
Total Current Assets	2,652	2,448
Investments and Long-Term Receivables (Note 2)	869	767
Properties (Note 5)	5,793	5,342
Deferred Charges (Note 4)	152	115
TOTAL ASSETS	$9,466	$8,672
Liabilities		
Current Liabilities		
Notes payable and current long-term debt (Note 6)	$ 151	$ 237
Accounts payable and accrued liabilities	912	791
Accrued income taxes	321	247
Total Current Liabilities	1,384	1,275
Long-Term Debt (Note 6)	2,100	1,695
Deferred Income Taxes	156	129
Other Liabilities	66	72
Minority Interests	239	223
TOTAL LIABILITIES	3,945	3,394
Shareholders' Equity		
Capital (Note 12)	1,478	1,484
Retained Earnings	4,043	3,794
TOTAL SHAREHOLDERS' EQUITY	5,521	5,278
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$9,466	$8,672

The notes on pages 21 to 25 are an integral part of the financial statements.

Consolidated Statement of Changes in Financial Position

	1971	1970*
	Millions of Dollars Years Ended December 31	
Financial Resources Provided By		
Net income	$ 561	$ 550
Income charges (credits) not affecting working capital		
Depreciation, depletion, amortization and retirements	510	522
Deferred income taxes (non-current items)	27	49
Income applicable to minority interests	19	15
Gain from disposition of properties and investments	(30)	(33)
Foreign exchange translation related to long-term debt	58	10
Equity in undistributed earnings of affiliated and associated companies	(34)	(9)
Working capital from operations	1,111	1,104
Long-term borrowings	421	353
Long-term debt of subsidiaries acquired or eliminated from consolidation (net)	83	5
Proceeds from sale of properties and investments	82	34
Other—net	—	8
	1,697	1,504
Financial Resources Used For		
Properties	908	865
Business investments	75	93
Properties of subsidiaries acquired or eliminated from consolidation (net)	94	7
Deferred research and development expenditures (net)	40	12
Reduction of long-term debt	157	121
Cash dividends to Gulf shareholders	312	312
Cash dividends to minority shareholders	9	10
Other—net	7	—
	1,602	1,420
Increase in Working Capital	$ 95	$ 84
Increase (Decrease) in Working Capital		
Cash	$ (1)	$ 25
Marketable securities	123	(113)
Receivables	28	134
Inventories	30	58
Prepaid expenses	24	18
Notes payable and current long-term debt	86	(44)
Accounts payable and accrued liabilities	(121)	51
Accrued income taxes	(74)	(45)
	95	84
Working Capital Beginning of Year	1,173	1,089
Working Capital End of Year	$1,268	$1,173

*Reclassified for comparative purposes

The notes on pages 21 to 25 are an integral part of the financial statements.

Notes to Financial Statements

Note 1—Principles of Consolidation

The accounts of Gulf Oil Corporation and all subsidiary companies more than 50% owned are included in the consolidated financial statements except for those engaged in real estate activities and a domestic subsidiary newly formed for the purpose of financing accounts receivable of Gulf Oil Corporation. Investments in 50% owned companies; real estate subsidiaries; the financing subsidiary; and investments in corporate joint ventures and in certain other less than 50% owned companies are stated on an equity basis. The change to the equity basis in 1971 for the corporate joint ventures and investments in less than 50% owned companies, referred to above, did not have a material effect on net income. Other investments are stated at cost.

Balances and transactions in foreign currencies have been translated to United States dollars as follows: long-term investments and properties—at rates current on dates of acquisition; accumulated depreciation, depletion and amortization and related provisions against income—on basis of dollar value of the related assets; all other assets and liabilities—at rates current at end of period; and operating income and other expenses—at average monthly rates. Gains or losses on foreign currency translation are included in results of operations in the period incurred. Application of the company's foreign currency translation policy had no material effect on 1971 net income.

At December 31, 1971 and 1970 consolidated net assets related to operations in the Western Hemisphere amount to $4,229 million and $4,123 million, respectively, and in the Eastern Hemisphere to $1,292 million and $1,155 million, respectively. Consolidated net income for 1971 and 1970 includes amounts attributable to operations in the Western Hemisphere of $398 million and $433 million, respectively, and in the Eastern Hemisphere of $163 million and $117 million, respectively.

Note 2—Receivables and Investments

Current receivables are stated net of allowances for doubtful accounts of $20 million at December 31, 1971 and 1970. Marketable securities are carried at cost which approximates market value. Investments and long-term receivables include amounts for companies stated on an equity basis and other associated companies (less than 50% owned) of $342 million and $245 million at December 31, 1971 and 1970, respectively.

In September, 1970 the corporation reached agreement with the Bolivian government with respect to compensating Gulf for its properties in Bolivia seized by that government. The amount of indemnification is to be paid without interest over a period of not more than twenty years and is contingent upon exportation of sufficient hydrocarbons from certain fields within that period. The net receivable of $78 million is included in investments and long-term receivables at December 31, 1971 and 1970.

Note 3—Inventories

Inventories of crude oil, chemicals, products and merchandise of $550 million and $533 million at December 31, 1971 and 1970, respectively, generally are valued at average cost applied on the "last-in, first-out" basis, which in the aggregate is lower than market value. Canadian subsidiaries value such inventories generally at the lower of cost applied on the "first-in, first-out" basis, or market value.

Materials and supplies of $102 million and $89 million at December 31, 1971 and 1970, respectively, generally are valued at cost or less depending on the condition of the items.

Note 4—Research and Development Expenditures

Research and development costs generally are charged to income as incurred. However, costs relative to a substantial development program in the nuclear energy field have been deferred and the total estimated costs are being amortized over the development period. After considering related deferred income taxes, $50 million and $30 million have been deferred in the accounts at December 31, 1971 and 1970, respectively.

Note 5—Properties

	Millions of Dollars			
	Investment December 31		Expenditures Year	
	1971	1970	1971	1970*
Gross Investment at Cost				
Exploration & Production	$ 4,723	$ 4,587	$253	$239
Marketing	2,072	1,873	122	146
Refining	1,890	1,687	228	282
Transportation	963	845	123	48
Chemicals	648	614	46	76
Natural Gas Liquids	332	311	21	24
Other	407	295	115	50
	11,035	10,212	$908	$865
Accumulated Depreciation, Depletion & Amortization	5,242	4,870		
Net Investment	$ 5,793	$ 5,342		

*Restated for comparative purposes

The provisions for depreciation and depletion of lease and well equipment, intangible drilling costs and undeveloped and developed leasehold costs represent charges per unit of production based on estimated recoverable oil and gas reserves. Prior to 1971, amortization of undeveloped leasehold costs was based on average holding period. The change had no material effect on 1971 net income. Exploration costs and costs of dry holes are charged currently to income.

Provisions for depreciation and amortization of properties other than those of the exploration and production departments are generally determined on the group basis using the straight-line method based on estimated remaining useful economic lives of groups of related properties. Under this method rates are revised when a change in life expectancy becomes apparent. Maintenance and repairs are charged to income, and renewals and betterments which extend the physical or economic life of the properties are capitalized.

Properties retired or otherwise disposed of are eliminated from the property accounts and the amounts, after adjustment for salvage and dismantling expenses, are charged to accumulated depreciation or depletion; only gains and losses on extraordinary retirements, retirements involving entire groups of properties, and properties retired or otherwise disposed of by certain foreign subsidiaries are taken to income.

Note 6—Long-Term Debt

	Millions of Dollars December 31	
	1971	1970
Gulf Oil Corporation		
8½% sinking fund debentures due in 1995	$ 200	$ 168
6⅝% sinking fund debentures due in 1993	200	200
5.35% sinking fund debentures due in 1991	91	100
5.65% notes payable 1972 through 1990	131	135
2½ to 6½% notes payable 1972 through 1982	178	138
Other obligations	14	18
	814	759
Consolidated Subsidiaries		
United States dollars—3¾ to 9¼% payable 1972 through 1993	675	441
German marks—4½ to 8½% payable 1972 through 1983	240	162
Canadian dollars—3½ to 8⅝% payable 1972 through 1990	187	192
Swiss francs—5 to 8⅞% payable 1972 through 1985	183	122
Italian lire—7½% payable 1974 through 1985	64	60
Other currencies	81	79
	2,244	1,815
Included in Current Liabilities	144	120
Long-Term Debt	$2.100	$1,695

Note 7—Commitments

The companies have noncancelable tanker charters expiring at various dates to the year 1981 for which minimum rentals for 1972 are approximately $75 million. The companies also have noncancelable leases for service stations, office space, tank cars and other property for which minimum rentals payable in 1972 are estimated at $47 million. Rental income from all such properties subleased and chartered to others is estimated at $28 million for 1972.

The companies have commitments in the ordinary course of business for the acquisition or construction of properties and for the purchase of materials, supplies and services which in the opinion of the officers are not significant in relation to the net assets of the companies.

Note 8—Contingent Liabilities

The companies were contingently liable for guarantees of loans payable by associated companies, owners of service stations and others in the amount of $99 million.

The companies also have other contingent liabilities and claims. Officers of the corporation are of the opinion no losses of any consequence will result.

The terms of a gas sales contract provide for the delivery of certain quantities of gas at specified prices over a 26-year period. While Gulf is meeting current delivery schedules it does not presently have sufficient reserves to meet the maximum deliveries scheduled over the later years of the contract. Gulf does not expect to incur material losses under this contract.

Note 9—Taxes on Income and General Taxes

	Millions of Dollars 1971	1970
Consumer excise taxes	$1,265	$1,201
U. S. and foreign income taxes		
Current	764	441
Deferred	17	49
General taxes and import duties	202	197
	$2,248	$1,888

Note 10—Pension Plans

The companies have various pension programs covering substantially all of their employees. As of January 1, 1971 and 1970 the corporation's principal pension program was amended to provide additional benefits. The effect of these changes on net income was not material.

The provisions charged to income for the years 1971 and 1970 were $35 million and $36 million, respectively. Although a portion of the pension costs for 1971 will not be funded, the companies' general policy is to fund pension costs accrued. As of December 31, 1971, estimated unamortized prior service costs of the programs aggregated approximately $110 million which generally is being amortized over no more than 15 years.

Note 11—Stock Options

A summary of changes in capital stock reserved for sale to officers and employees under stock options is:

	Reserved Shares		
	Options Granted	Not Optioned	Total
Balance December 31, 1970	1,041,431	506,450	1,547,881
Options granted January 28, 1971	196,050	(196,050)	—
Options exercised at prices from $18.96 to $42.94 a share	(11,082)	—	(11,082)
Options expired	(63,125)	23,150	(39,975)
Balance December 31, 1971	1,163,274	333,550	1,496,824

The balance of reserved shares under option at December 31, 1971 consisted of unissued stock reserved for options of which (a) 973,174 shares are presently exercisable at prices ranging from $19.97 to $42.94 a share (fair market values at dates granted), and expire periodically to April 18, 1978 and (b) 190,100 shares which are both qualified stock options and non-qualified stock options covering the same shares. The qualified stock options are exercisable for a period of four years and the non-qualified stock options are exercisable for a period of nine years beginning January 28, 1972 at $29.38 per share (fair market value at date granted).

Note 12—Capital

	Millions of Dollars December 31	
	1971	1970
Capital stock	$ 883	$ 883
Other capital	698	704
Treasury shares	(103)	(103)
	$1,478	$1,484

There are 300,000,000 shares of capital stock authorized without par value. At December 31, 1971 and 1970, there were 207,620,941 and 207,596,392 shares outstanding, respectively, after deducting 4,277,510 and 4,290,977 shares held in the treasury for corporate purposes.

The changes in the capital stock and treasury shares accounts represent sale of stock to option holders and other disposals (net). The change in the other capital account substantially represents a charge in 1971 of $6,432,000 for additional costs related to properties acquired from a majority-owned subsidiary liquidated in 1966. Such properties are included in the consolidated statements at that subsidiary's historical cost.

Opinion of Independent Accountants

PRICE WATERHOUSE & CO.

TWO GATEWAY CENTER
PITTSBURGH 15222

February 22, 1972

To the Shareholders and Board of
Directors of Gulf Oil Corporation

In our opinion, based on our examination and the reports mentioned below of other independent accountants, the accompanying statements of financial position, the related statements of income and retained earnings and of changes in financial position present fairly the consolidated financial position of Gulf Oil Corporation and its subsidiaries at December 31, 1971 and 1970, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Gulf Oil Canada Limited and its subsidiaries which constitute approximately 8% and 6% of consolidated net assets and net income, respectively, as of December 31, 1971 (8% and 5% at December 31, 1970). Our opinion, insofar as it relates to the amounts included for these companies, is based solely upon the reports of other independent accountants.

Price Waterhouse & Co.

Five-Year Financial Summary

	1971	1970	1969	1968	1967
	Dollar Amounts In Millions				
Sales and other operating revenues (including consumer excise taxes)	$ 7,205	$ 6,597	$ 6,110	$ 5,596	$ 5,110
Net income	$ 561	$ 550	$ 611	$ 626	$ 578*
Per share**	$2.70	$2.65	$2.94	$3.02	$2.79*
Per dollar of sales and other operating revenues	7.8¢	8.3¢	10.0¢	11.2¢	11.3¢
Cash dividends paid	$ 312	$ 312	$ 312	$ 291	$ 259
Per share**	$1.50	$1.50	$1.50	$1.40	$1.25
Financial condition at year end					
Total assets	$ 9,466	$ 8,672	$ 8,105	$ 7,498	$ 6,482
Working capital (current assets less current liabilities)	$ 1,268	$ 1,173	$ 1,089	$ 1,185	$ 883
Ratio of current assets to current liabilities	1.92	1.92	1.88	2.08	1.86
Long-term debt (includes portion in current liabilities)	$ 2,244	$ 1,815	$ 1,578	$ 1,371	$ 724
Employed capital (total assets less current liabilities)***	$ 8,082	$ 7,397	$ 6,868	$ 6,402	$ 5,452
Shareholders' equity	$ 5,521	$ 5,278	$ 5,040	$ 4,751	$ 4,412
Per share**	$ 26.59	$ 25.42	$ 24.28	$ 22.88	$ 21.27
Percent return	10.4%	10.7%	12.5%	13.7%	13.6%
Properties—gross	$ 11,035	$ 10,212	$ 9,597	$ 8,798	$ 7,900
Properties—net	$ 5,793	$ 5,342	$ 5,069	$ 4,622	$ 4,068
Expenditures for properties and business investments	$ 1,143	$ 1,032	$ 1,041	$ 1,089	$ 865
Exploration expense including dry holes	$ 113	$ 109	$ 123	$ 110	$ 106
Depreciation, depletion, amortization and retirements	$ 510	$ 522	$ 451	$ 420	$ 368
Consumer excise taxes	$ 1,265	$ 1,201	$ 1,156	$ 1,037	$ 907
Income taxes	781	490	447	369	378
General taxes and import duties	202	197	170	150	147
Total taxes	$ 2,248	$ 1,888	$ 1,773	$ 1,556	$ 1,432
Shareholders at year end	248,674	235,937	199,967	171,661	163,450
Shares outstanding (in thousands)**	207,621	207,596	207,565	207,607	207,436
Wages, salaries and employee benefits	$ 666	$ 618	$ 574	$ 500	$ 456
Employees at year end	57,200	61,300	60,000	60,300	58,300
Employed capital per employee (actual)***	$141,300	$120,700	$114,500	$106,200	$ 93,500

*Includes net extraordinary gain of $10 million or five cents per share
**After giving effect to the two-for-one stock split in 1968
***Restated for comparative purposes

A financial and statistical supplement to the 1971 Annual Report is available to shareholders. Copies may be obtained by writing to Russell G. Connolly, Vice President and Secretary, Gulf Oil Corporation, P. O. Box 1166, Pittsburgh, Pennsylvania 15230.

Five-Year Operating Summary

	1971	1970	1969	1968	1967
Net crude oil, condensate and natural gas liquids produced—daily average barrels					
United States	592,300	626,000	602,300	598,800	575,700
Canada	100,200	92,200	85,800	80,100	74,100
Latin America	200,900	204,000	209,000	191,800	201,600
Middle East	2,012,200	1,811,300	1,687,400	1,572,000	1,468,600
Africa	376,600	316,400	219,500	102,000	54,700
Consolidated subsidiaries	3,282,200	3,049,900	2,804,000	2,544,700	2,374,700
Equity interest (50% or less)	6,300	6,100	6,300	7,200	6,800
Total	3,288,500	3,056,000	2,810,300	2,551,900	2,381,500
Net natural gas produced—thousand cubic feet per day					
United States	2,685,200	2,757,000	2,509,500	2,367,000	2,151,800
Canada	466,300	394,100	355,000	315,000	283,100
Latin America	77,800	78,900	78,600	87,400	89,700
Middle East	310,000	256,000	245,000	225,000	163,400
Total	3,539,300	3,486,000	3,188,100	2,994,400	2,688,000
Crude oil processed—daily average barrels*					
United States	672,800	702,300	687,500	687,200	673,000
Canada	258,100	204,800	197,300	194,900	191,400
Latin America	174,800	197,700	145,400	175,800	191,500
Europe	341,900	317,500	254,700	159,900	147,100
Middle East	154,000	139,900	143,100	153,600	160,600
Asia	29,800	28,500	25,000	22,800	23,000
Consolidated subsidiaries	1,631,400	1,590,700	1,453,000	1,394,200	1,386,600
Equity interest (50% or less)	161,100	145,000	103,600	92,900	67,200
Total	1,792,500	1,735,700	1,556,600	1,487,100	1,453,800
Refined products sold—daily average barrels					
United States	774,900	799,600	796,200	786,600	740,100
Canada	218,100	190,900	186,700	184,800	193,500
Latin America	85,800	89,200	74,400	80,500	68,300
Europe	309,500	318,700	250,700	198,700	182,700
Middle East	126,800	124,500	119,800	126,200	126,700
Asia	25,300	22,100	22,400	19,500	18,000
Consolidated subsidiaries	1,540,400	1,545,000	1,450,200	1,396,300	1,329,300
Equity interest (50% or less)	128,400	117,600	60,000	62,400	60,300
Total	1,668,800	1,662,600	1,510,200	1,458,700	1,389,600
Coal mined—daily average tons	19,400	21,500	20,900	25,300	24,600
Chemicals sold—daily average tons					
United States	8,000	10,800	8,500	8,500	6,900
Canada	2,300	2,100	1,100	1,100	1,200
Latin America	400	300	200	300	100
Europe	1,000	500	300	100	200
Asia	200	200	100	100	—
Consolidated subsidiaries	11,900	13,900	10,200	10,100	8,400
Equity interest (50% or less)	1,400	1,200	1,000	1,300	1,000
Total	13,300	15,100	11,200	11,400	9,400

Total operating data include 100% of volumes of all consolidated subsidiaries and equity interest in companies owned 50% or less.

*Includes crude oil processed by outsiders for Gulf's account.

Gulf Oil Corporation

Executive Offices, Gulf Building, Pittsburgh, Pennsylvania

Board of Directors

CHARLES M. BEEGHLY

E. D. BROCKETT

I. G. DAVIS

R. HAL DEAN

B. R. DORSEY

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JOHN F. WALTON, JR.
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W. K. WARREN
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GEORGE W. WYCKOFF
Director Emeritus

Principal Corporate Officers

B. R. DORSEY
President

I. G. DAVIS
Executive Vice President

W. L. HENRY
Executive Vice President

Z. Q. JOHNSON
Executive Vice President

E. B. WALKER
Executive Vice President

MERLE E. MINKS
General Counsel

RUSSELL G. CONNOLLY
Vice President and Secretary

PAUL H. WEYRAUCH
Treasurer

FRED DEERING
Comptroller

Principal Divisions and Subsidiary Companies

Gulf Oil Company—U.S.
Houston, Texas

F. S. SCHWEND
President

EUGENE HOSFORD
Executive Vice President

R. B. PHILLIPS
Executive Vice President

Gulf Oil Company—Eastern Hemisphere
London, England

JAMES E. LEE
President

M. R. J. WYLLIE
Executive Vice President

Gulf Oil Company—Latin America
Coral Gables, Florida

T. D. LUMPKIN
President

T. A. KIBBY
Executive Vice President

Gulf Oil Company—Asia
Pittsburgh, Pennsylvania

W. W. FINLEY, JR.
President

Gulf Oil Trading Company
Pittsburgh, Pennsylvania

HERBERT I. GOODMAN
President

ROBERT REES
Executive Vice President

Gulf Oil Canada Limited
Toronto, Canada

JERRY McAFEE
President and Chief Executive Officer

C. D. SHEPARD
Chairman of the Board

Gulf Energy & Environmental Systems Company
San Diego, California

C. A. ROLANDER, JR.
President

Gulf Mineral Resources Company
Denver, Colorado

S. A. ZAGNOLI
President

Gulf Oil Chemicals Company
Pittsburgh, Pennsylvania

Z. D. BONNER
President

Gulf Oil Company—Transportation
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Harmarville, Pennsylvania

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